

Workfare - AFDC. AFDC workfare programs as actually implemented have tended to use a less punitive approach than that indicated in the CWEP regulations by making extensive use of optional features. In most states, workfare is provided as one of a number of training or employment options available to participants in a more comprehensive program (usually WIN). In Massachusetts, for example, participants have a choice among participating in active job search (usually in jobs clubs), training, or a voluntary workfare program. In Oklahoma, only those recipients whose employability plans indicate a need for work experience are assigned to CWEP. Participation is usually limited to three months (in no case more than six months) unless participants are fulfilling training or experience requirements for employment eligibility. Oklahoma's workfare program provides training and experience, especially to allow women to enter more skilled jobs such as plumbing and carpentry, rather than "make work" assignments. In most states, AFDC workfare programs have developed jobs that include some skill training and have avoided "make-work" jobs that have characterized general assistance and food stamp workfare.

These programs have made only limited use of sanctions for non-compliance, relative to food stamp workfare programs, placing greater emphasis on counseling participants and reassigning them when problems are encountered. Most programs are fairly flexible in granting exemptions to recipients for whom participation may present a hardship. Because of such

exemptions, a smaller portion of the employable recipient group than indicated in the CWEP regulations actively participate in most state programs.

Major obstacles to program implementation, especially in areas with large welfare caseloads, have been limits on funds for support services--particularly the \$25 per month limit on reimbursement for work-related expenses. Program administrators complain that the \$25 limit on reimbursement for transportation, child care, and other work-related expenses is highly unrealistic. States that provide higher levels of reimbursement do so from state funds. As a result, most states simply exclude mothers of preschool children and persons with high transportation expenses from active participation. To deal with this issue, some states are considering establishing CWEP-operated daycare centers, staffed by and providing child care for workfare participants.

Workfare - Food Stamps. In the Food Stamp Program, as compared to the AFDC-CWEP programs, workfare has been applied with more emphasis on requiring participation by all employable recipients, and greater use of the punitive aspects of this approach. Food stamp workfare programs are continuing under demonstration authority pending the approval of final workfare regulations. Since no new workfare programs have yet been established, it is too early to predict whether states will use greater flexibility in developing permanent programs.

Food stamp workfare places less emphasis on moving people into regular employment than does AFDC workfare, possibly because turnover is so high in food stamps. There are no mandated limits for maximum participation in food stamp workfare (in contrast to AFDC) and less effort is devoted to training, job placement, and other services used in AFDC to help participants find and keep jobs.

In addition, sanction rates in existing food stamp workfare programs tend to be much higher, and jobs assigned are more likely to be unskilled ones such as shoveling snow, raking leaves, mopping floors, and collecting garbage. In some sites, sanction rates have been as high as one person for every two or three who complete assignments and consequently at these sites the reduced benefits have had significant budget effects.

Subsidized Employment. The work supplementation option for AFDC provided under new regulations has not been implemented by any state at this time. In this program, states would make jobs available to recipients on a voluntary basis, as an alternative to welfare. Jobs would be funded by savings from reduced benefits for some categories of recipients. A major weakness of this option is that savings from benefit reductions may be insufficient to create enough jobs for all recipients who volunteer to work and have their benefits cut.

A few states are experimenting with state-initiated subsidized employment programs. In New York's Temporary Employment Assistance Program (TEAP), general assistance benefits are converted to a wage subsidy to private employers who provide on-the-job training. Participants receive wages and benefits as regular employees and employers are eligible for the Targeted Jobs Tax Credit, in addition to the wage subsidy, during the training period. Program administrative costs are small (\$300,000 for 1,300 anticipated participants in the first year), but implementation has been slower than projected because of high unemployment.

Massachusetts has continued and recently expanded a state-funded supported work program for AFDC recipients as an outgrowth of the National Supported Work Demonstration that ended in 1979. The program emphasizes private sector employment and would provide employment for 700 selected recipients. Because of its small size, the impact on welfare caseloads and costs will be small.

ALTERNATIVES TO CURRENT PROGRAMS

Drawing on the discussions in the previous sections on what is known about work-welfare programs, this section uses that information to examine several alternatives to current efforts. The options discussed in this section include:

- o Changing targeting of work-welfare programs;
- o Matching participant characteristics with more effective approaches;

- o Shifting almost all work-welfare program activities to welfare agencies;
- o Increasing the implementing incentives for work-welfare programs; and
- o Providing limited assistance to recipients during the transition period to regular employment.

The major criterion used in the analysis of these options is their net budget impact. From the perspective of the federal government, costs include program operating costs, reimbursed work-related expenses, and in-program wages and fringe benefits. Benefits include reduced transfer payments and other allowances; reduced costs for welfare administration; and increased tax payments. In general, the above costs and benefits have been estimated for the alternatives discussed, including future benefits, since many of the benefits continue to accrue after the participant completes the program. Unfortunately, other intangible benefits and costs have not been included, such as, increased preference for work over welfare, improved health status, and forgone nonmarket activities.

On the other hand, net impact on the budget is not the only criterion for analyzing options in work-welfare programs--the Congress might value more highly options that lead to gains by those who need help most. Because a significant proportion of AFDC mothers face severe barriers to employment, they often are not be able to lift themselves and their families

out of poverty without outside help. Thus, the Congress might consider options that concentrate resources on those with virtually no possibility of leaving the rolls without additional help, at some sacrifice to cost effectiveness.

Change Targeting of Work-Welfare Programs

Although the more job-ready recipients are currently the primary focus of work-welfare programs, in general, targeting work-welfare programs on less job-ready recipients and concentrating on more effective approaches would produce greater net benefits in the long run to the federal government. In AFDC, retargeting is especially important because the less job-ready would have substantial difficulty obtaining employment on their own that would significantly raise their income. In contrast, retargeting in food stamps is less important because most work-welfare participants in the food stamp program who do not also participate in AFDC remain on the program for such short periods.

Opponents of changing targeting in either AFDC or food stamps note that some recipients who would have benefited from the work-welfare program would be ineligible because of their pre-program characteristics. Beyond the problem of defining who is less employable, the screening would be based on a set of average characteristics applied to individuals so some individuals who do not fit the average would not be considered even if they would have derived substantial gains from the program.

AFDC. Focusing on less job-ready AFDC participants instead of more job-ready participants is likely to be more cost-effective over the long term. Current, and many past, AFDC work-welfare programs have tended to concentrate their resources on those recipients with the fewest barriers to employment--often called "skimming the most employable". This produces the highest placement rates, but many of these recipients would have found jobs on their own. Research suggests they would not have been on the rolls for long periods in any case, so expected welfare outlays for them would be low. In contrast, less job-ready participants are much less likely to find and keep a job on their own and are on the rolls for considerably longer periods--with correspondingly larger outlays for them. With their greater welfare payments, these recipients might justify relatively expensive interventions, such as skills training, because the long run reduction in AFDC benefits and the increase in tax revenues might be sufficient to offset the short-term program costs.

Because many of the less job-ready participants are women, this proposal would lead to increased emphasis on women who benefit more from work-welfare programs. Currently, employable men in the AFDC-Unemployed Parent (AFDC-UP) program receive a highly disproportionate share of work-welfare resources. While their participation may improve the public image of work-welfare programs, men have not benefited significantly from past work-welfare programs. Women have greater

employment barriers than men and consequently are much less likely to achieve substantial improvements on their own without program participation. Because work-welfare programs benefit women more than men, changing the targeting would improve the income perspectives of female welfare recipients.

Preliminary estimates of the impact on the budget suggest that costs would exceed savings for the first few years after implementation, after that benefits would exceed costs. Costs to run the proposed program would be relatively constant after the initial start-up. In contrast, benefits mainly in the form of reduced transfers and increased tax payments would increase slowly as participants completed the program. After sufficient time, enough participants would have finished the program that total benefits would more than offset the costs.

Although targeting less employable participants might be more effective than current policy, it could be difficult to design unambiguous guidelines for defining who is less employable. Some have argued, for example, that virtually all AFDC women are less employable, so no retargeting is necessary in that program. A more reasonable approach might start with those women who are WIN registrants, then turn to those with limited work experience and no more than a high school education. Such a definition would be consistent with available research on who benefits most.

Food Stamps. Because food stamp benefits are relatively low--about \$119 per month per household--and participants leave the program at a much faster rate than AFDC participants, targeting the more employable recipients to speed their exit from the program or deter potential applicants might have greater budget impact than the current policy of no special targeting. Employable food stamp recipients, not also receiving AFDC (and thus subject to those work requirements), are primarily single, male, young, and participants for a very short time (over half for less than three months). Because these recipients tend to be relatively more homogeneous than AFDC participants, retargeting is less important in food stamps.

Like AFDC, preliminary cost estimates associated with this proposal indicate that at first costs exceed benefits, but in later years benefits increase enough to exceed costs. Unlike AFDC, however, the costs and benefits, as well as the net impact on the budget, are much lower.

Match Characteristics and Approaches

Past program experience shows that assigning participants to different work-welfare approaches, depending on the characteristics of the participants, would improve the overall effectiveness of the program. Characteristics found useful for assigning participants include amount of prior work experience and level of education attained. Proposed changes in AFDC, would include expanding (relative to current policy) the use of the

combination of training and paid employment while using other approaches, such as unpaid employment and job search, more selectively. In food stamps, the high caseload turnover implies that approaches like intensive job search and workfare that tend to move people off the program quickly would have a greater net budget impact.

AFDC. The approaches that tend to be most effective for the less job-ready participant combine training and paid employment, such as on-the-job training in public service employment or subsidized private sector jobs. In past programs, the most successful approaches used fairly short-term training--a few months--and focused primarily on work habits, attitudes, and skills necessary for low-wage, entry-level jobs.

Depending on the characteristics of the participants, on-the-job training or public service employment would be made the primary focus with unpaid work experience and job placement used selectively. This would return the WIN program to a mix of components and emphases more similar to those present before the changes in the middle 1970's that concentrated on placements and the most employable.

In the past, both on-the-job training and public service employment were generally successful components of the WIN program. As indicated earlier, gains in earnings after completing these components of the program were substantial and the gains generally declined little. Opponents argue,

however, that while returning to this approach might be effective for those who complete the program, it could be difficult to create enough public service jobs or find enough private sector employers for all eligible participants, given the continued high levels of unemployment expected for the next several years.

Unpaid work experience, as used in the WIN program, could be changed to a temporary training option to allow public service employers and participants to explore assignments on a trial basis or as a transition to more intensive program participation. Currently, participants can remain in this component for extended periods. Strict adherence to mandated time limits on unpaid work experience would reduce the tendency for participants to remain in positions with little opportunity for eventual employment. These time limits could be varied for participants who need a set amount of experience to meet job entrance requirements.

Since less job-ready participants are unlikely to obtain stable employment without program services, it would be more effective to provide job search assistance after completion of training rather than at the start of program participation. An intensive job search and placement effort for those who recently completed the program would more likely place them in jobs with higher wage rates and greater job stability than current job search programs that often precede any other employment or training.

Reasonable time limits on total program participation, combined with job search after program completion, would assure that services would be provided to the maximum number of recipients. At the same time, individuals who are unable to benefit from the program could be removed without incurring the unnecessary administrative costs and hardships of prolonged participation. Periodic review of such cases could identify those whose situation has changed sufficiently to warrant further efforts.

At this time, only rough budgetary estimates can be developed. If the budgetary effect of this proposal were similar to the experience of the National Supported Work Demonstration Project, then the federal government would expect about \$15,000 in benefits (in 1976 dollars) and \$10,600 in costs, or \$4,400 in net benefits, for each AFDC participant who went through the program. As indicated earlier, the benefits include the discounted value of future tax payments and reduced transfer payments. The estimate for the NSWDC is quite sensitive to changes in assumptions about discount rates, future earnings, taxes, and other technical adjustments, however. Differences between WIN and NSWDC in participants and programs would also affect this estimate. ^{11/} Preliminary estimates of

11. See P. Kemper, D. Long, and C. Thornton, The Supported Work Evaluation: Final Benefit-Cost Analysis (Manpower Demonstration Research Corporation, 1981) for these figures. The estimates assume a 28-year work life for participants, a 3 percent real decay rate in earnings gains, a 5 percent real discount rate, and all figures in fourth quarter 1976 dollars.

the budget impact for WIN itself indicate that costs exceed benefits for the first few years, but later as more recipients complete the program, benefits exceed costs.

Food Stamps. Because of the high turnover of non-AFDC food stamp recipients, approaches that can be provided quickly, with immediate impact and low costs, would be more likely to result in net budget savings. More costly and intensive services, such as skills training or subsidized employment, would be less cost effective because recipients leave the food stamp program rapidly and reduced benefits would not justify large expenditures for such efforts.

Stronger initial job search requirements with highly structured group job search programs and then a workfare program for participants who are not placed would probably be the most effective approach for these recipients. Intensive job search is an effective way to place employable recipients. When combined with a workfare program for participants unable to find employment, it would provide public service benefits to local communities as well as deter participation. A strategy that would recycle recipients for repeated participation in job search or workfare would have the effect of discouraging prolonged dependence on food stamps by those who are able to work. Because most participants would be expected to leave the Food Stamp Program on their own eventually, savings would come

primarily from speeding their exit or making it more difficult to avoid work program participation during the first few weeks.

Estimates of the budgetary effects of the combination of job search and workfare are unavailable at the present time, but the costs and savings are likely to be roughly equal. Each of these approaches when tried separately in the past has had an approximately neutral impact on the budget.

Some would argue that intensive job search along with a workfare program for those unable to find employment could lead to an increased cycling of recipients on and off the program. If this cycling--often called "churning"--occurred, then the rate of turnover would increase without a significant reduction in spending over time. Under these conditions, the proposal could cost money, because of the expense to run the program.

Have Local Welfare Agencies Administer Work-Welfare Program

Based on past experience, it would be simpler and more effective for welfare agencies to operate their own work and placement programs and rely on the Employment Service only for specialized approaches, such as group job search. As indicated earlier, welfare agencies appear more able to expand their current role to the welfare population than Employment Service departments.

Having the welfare agencies handle their own work-welfare activities, except for a few specific tasks, would imply some shifts in funding--relatively small amounts--from the Labor Department to Health and Human Services and the Agriculture Department. The net budget impact, however, would be small.

Provide Incentives to Implement Work-Welfare Programs

If the Congress wishes work-welfare programs to be implemented on a large scale, local governments would have to be provided with greater incentives for program implementation--especially in large, urban areas. Workfare programs, in particular, have been implemented cautiously, with few programs in urban areas having large welfare caseloads. In general, administrators are reluctant to develop work-welfare programs that have high initial costs and limited savings to local governments.

Arrangements to decrease initial costs or increase the share of program savings retained by local governments would increase the willingness of places with larger caseloads to develop new approaches. For instance, the federal government could agree to match program expenses at a higher rate initially, with the matching rate decreasing to the current rate within a few years. Such funding incentives would be particularly important in the Food Stamp Program, in which all savings in program benefits are retained by the federal government, while local governments pay about half

of administrative costs. Making work-welfare programs less financially risky for local governments to initiate could mean higher short-run federal costs but greater long-run savings.

On the other hand, funding incentives of any kind cost money and the expected savings may not be realized or they may be lower than expected. For example, in the Food Stamp Program funding incentives have existed for several years that reward states for lowering their error rates. There is little evidence that the funding incentives caused states to take steps they otherwise would not have taken without the incentives.

Provide Transition to Regular Employment

A recurring comment by program evaluators is the need to fund and plan for a transition to regular employment after participants complete a work-welfare program. Past programs that did not do so made little progress in getting participants into regular jobs. Several subsidized employment programs, such as CETA, found that without planning for and funding a transition period when participants were helped to adjust to regular employment, participants remained on the program for long periods or were unable to make the transition successfully and were soon out of a job and back on welfare.

For women, especially, the transition to regular employment is difficult because they frequently have child care and health expenses for

their children. Work-welfare programs would need to provide for gradual phase out of those additional benefits, such as subsidized child care and Medicaid, that go along with cash assistance. Also, some recipients would need counseling and other similar support services to facilitate the transition from welfare to employment.

Opponents point out that while such help may be useful, those recipients who are ineligible for the work-welfare program do not receive any assistance when their welfare benefits end. They argue that such favored treatment is inequitable. Providing these benefits after program completion could encourage continued dependence on welfare rather than breaking the cycle of dependency. In addition, the services could become costly.

